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DEPARTMENT OF AUDITOR-CONTROLLER**

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May 27, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy Watanabe*
Acting Auditor-Controller

SUBJECT: **EL PROYECTO DEL BARRIO, INC. CONTRACT – A COMMUNITY AND
SENIOR SERVICES WORKFORCE INVESTMENT ACT PROGRAM
PROVIDER**

We completed a program, fiscal and administrative contract review of El Proyecto del Barrio, Inc. (El Proyecto or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) program provider.

Background

CSS contracts with El Proyecto, a private non-profit organization to provide and operate the WIA Adult and Dislocated Worker Programs. The Programs assist individuals obtain employment, retain their jobs and increase their earnings. The types of services provided by El Proyecto include occupational skills training, job placement and career planning. El Proyecto is located in the Third District.

El Proyecto is compensated on a cost reimbursement basis and has a contract for \$129,287 for Fiscal Year (FY) 2007-08.

Purpose/Methodology

The purpose of the review was to determine whether El Proyecto complied with its contract terms and appropriately accounted for and spent WIA funds in providing services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State, and County guidelines. In addition, we interviewed a number of the Agency's staff and clients.

Results of Review

El Proyecto achieved their FY 2007-08 second quarter planned performance outcomes. In addition, El Proyecto maintained sufficient internal controls over its business operations. However, El Proyecto did not implement five (42%) of the 12 recommendations identified in the prior year's monitoring report including not repaying CSS \$6,770 for the unsupported expenditures. In addition, El Proyecto billed CSS \$6,500 in unsupported expenditures during our current monitoring review.

El Proyecto also did not always comply with other WIA and County contract requirements. For example, El Proyecto:

- Billed CSS for payroll expenditures based on budgeted hours and not actual hours worked.
- Did not establish Memorandum of Understandings (MOUs) with their partnering agencies as required for a One-Stop Center. Subsequent to our review, El Proyecto provided MOUs to CSS.
- Did not conduct performance evaluations on an annual basis for four (80%) of the five employees sampled.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with El Proyecto and CSS on May 1, 2008. In their attached response, El Proyecto indicated that they provided documentation to support the \$6,500 in accruals. However, El Proyecto did not provide adequate documentation, such as invoices and cancelled checks, to support the expenditures.

Board of Supervisors
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We thank El Proyecto for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia Banks, Director, Department of Community and Senior Services
Corinne Sanchez, Esq., President and CEO, El Proyecto del Barrio, Inc.
East Los Angeles Employment and Business Center
Kenneth B. Worthen, Chairperson, El Proyecto del Barrio, Inc.
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
EL PROYECTO DEL BARRIO, INC.
FISCAL YEAR 2007-08**

ELIGIBILITY

Objective

Determine whether El Proyecto del Barrio, Inc. (El Proyecto or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for 20 (39%) of the 51 participants that received services from July 2007 through February 2008 for documentation to confirm their eligibility for WIA services.

Results

All 20 participants met the eligibility requirements for the WIA programs.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 20 (39%) participants that received services from July 2007 through February 2008. We also interviewed 11 participants.

Results

The 11 participants interviewed stated that the services they received met their expectations. However, El Proyecto did not always comply with WIA guidelines. Specifically, El Proyecto did not:

- Complete an Individual Employment Plan (IEP) for one (5%) of the 20 participants sampled. The IEP is an on-going plan jointly developed by the participant and the case manager that identifies the participant's employment goals, achievement objectives and the services needed to achieve their employment goals.
- Register two (10%) of the 20 participants sampled on the State of California Employment Development Department's (EDD) Cal Jobs system. WIA guidelines require contractors to register the participants receiving services at the Los Angeles County Work Source Centers on the EDD's Cal Jobs system. Cal Jobs is California's Internet system for linking employers with individuals seeking employment. Subsequent to our review, El Proyecto registered the two participants on the EDD's Cal Jobs system.

Recommendations

El Proyecto management:

1. **Ensure that staff complete the Individual Employment Plans for each participant.**
2. **Register all participants on the Employment Development Department's Cal Jobs system.**

PERFORMANCE OUTCOMES

Objective

Determine whether El Proyecto met the planned performance outcomes as outlined in the County contract and accurately reported the performance outcomes to the Workforce Investment Board (WIB).

Verification

We compared the reported Fiscal Year (FY) 2007-08 actual performance outcomes for the second quarter to the planned performance measures outlined in the County contract and the program activities reported on the Job Training Automation (JTA) system. We also reviewed the documentation contained in the case files for ten Adult and ten Dislocated Worker participants reported as having exited the program, completed training and/or gained employment during the first two quarters of FY 2007-08.

Results

El Proyecto's FY 2007-08 second quarter actual performance outcomes were accurately reported to the WIB and the case files contained documentation to support

the program activities reported on the JTA system. In addition, El Proyecto met the FY 2007-08 second quarter planned performance measures outlined in the County contract.

Recommendation

There are no recommendations for this section.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's December 2007 bank reconciliation.

Results

El Proyecto maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 57 non-payroll expenditure transactions billed by the Agency for July and October 2007, totaling \$6,845.

Results

El Proyecto's expenditures were allowable, accurately billed and supported by documentation as required.

Recommendation

There are no recommendations for this section.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency maintained sufficient controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

El Proyecto maintained sufficient controls over its business operations and complied with other program and administrative requirements.

Recommendation

There are no recommendations for this section.

FIXED ASSETS AND EQUIPMENT

Determine whether El Proyecto's fixed assets and equipment purchases with WIA funds are used for the WIA programs and are safeguarded.

We did not perform test work in this section as El Proyecto did not use WIA funds to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the WIA programs. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures invoiced for five employees totaling \$4,332 for October 2007 to the Agency's payroll records and time reports. We also interviewed one staff and reviewed personnel files for five employees assigned to the WIA programs.

Results

El Proyecto billed CSS for payroll expenditures based on estimated amounts and not actual hours worked as required by the County contract. According to Agency management, payroll is initially billed based on budgeted payroll amounts and they adjust the amounts based on actual hours worked every six months. However, as of February 2008, El Proyecto had not adjusted their estimated payroll expenditures to actual expenditures for July through December 2007. This finding was also noted in the prior three years' monitoring reports.

El Proyecto also did not maintain a copy of the employee's proof of car insurance in one (20%) of the five personnel files sampled. Subsequent to our review, El Proyecto provided the proof of car insurance for the one employee.

In addition, El Proyecto did not conduct performance evaluations annually for four (80%) of the five employees sampled. The last performance evaluations for the four employees were performed in 2006. This was also noted in the prior year's monitoring report.

Recommendations**El Proyecto management:**

3. **Adjust the amount charged for payroll for FY 2007-08 to reflect actual hours worked and repay CSS for any overbilled amounts.**
4. **Bill CSS for actual payroll expenditures not estimated amounts by adjusting payroll expenditures to reflect actual hours worked the subsequent month, or at a minimum, on a quarterly basis.**
5. **Ensure personnel files are complete and performance evaluations are performed on an annual basis.**

COST ALLOCATION PLAN/MEMORANDUM OF UNDERSTANDING**Objective**

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with WIA and County contract requirements. El Proyecto operates through a One-Stop

Center and WIA guidelines require One-Stop lead agencies to establish an operational Memorandum of Understanding (MOU) with all partnering agencies participating in providing services through the One-Stop Center. In addition, determine whether the Agency used the plan and MOUs to appropriately allocate shared program expenditures.

Verification

We reviewed the Cost Allocation Plan, the operational MOUs and a sample of expenditures incurred by the Agency in July and November 2007 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

El Proyecto's Cost Allocation Plan was prepared in compliance with the County contract. However, as previously indicated, El Proyecto inappropriately billed payroll expenditures based on budget not actual hours works as required by the County contract.

In addition, El Proyecto did not establish operational MOUs with their partnering agencies as required by WIA guidelines. As such, we could not determine whether El Proyecto appropriately applied the shared program expenditures in accordance with the County contract.

Recommendations

El Proyecto management:

- 6. Ensure that MOUs are established with partnering agencies participating in providing services through the One-Stop Center.**
- 7. Ensure that shared expenditures for the One-Stop Center are appropriately allocated according to the County contract.**

CLOSE-OUT REVIEW

Objective

Determine whether the Agency's FY 2006-07 final close-out invoices for the WIA Adult and Dislocated Worker Programs were reconciled to the Agency's financial accounting records.

Verification

We traced the Agency's FY 2006-07 general ledgers to the Agency's final close-out invoices for FY 2006-07. We also reviewed a sample of expenditures incurred in April and June 2007.

Results

El Proyecto's final close-out invoices reconciled to the Agency's financial records. However, El Proyecto did not maintain adequate documentation to support the \$6,500 in accruals established on June 30, 2007. This finding was also noted during the prior year's monitoring review. In addition, as of February 2008, El Proyecto had not adjusted their FY 2006-07 estimated payroll expenditures to reflect actual expenditures as required.

Subsequent to our review, El Proyecto provided a listing of the accruals totaling \$6,500. However, El Proyecto did not provide adequate documentation, such as invoices and cancelled checks, to support the expenditures.

Recommendations**El Proyecto management:**

8. Repay CSS \$6,500.
9. Ensure that adequate documentation is maintained to support the program expenditures.
10. Adjust the FY 2006-07 estimated payroll expenditures to actual expenditures and repay CSS for any overbilled amounts.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2006-07 monitoring review were implemented. The report was issued on October 4, 2007.

Results

The prior monitoring report contained 12 recommendations. El Proyecto implemented seven recommendations. As previously indicated, the findings related to recommendations 4, 5 and 9 contained in this report were also noted during the prior year's monitoring review. The remaining two recommendations required the Agency to repay CSS \$6,770 and to implement the outstanding recommendations from the FY 2005-06 monitoring report. El Proyecto management indicated that the Agency plans to implement the outstanding recommendations by June 30, 2008.

Recommendations**El Proyecto management:**

- 11. Immediately repay CSS \$6,770.**
- 12. Implement the outstanding recommendations.**

El Proyecto del Barrio

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ESPERANZA

May 15, 2008

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Alhambra, CA 91803

RE: EL PROYECTO DEL BARRIO, INC.

Dear Ms. Bae:

We are in receipt of your draft finding letter in regards to our most recent fiscal audit. Below please find our response.

BILLED SERVICES / CLIENT VERIFICATION

- 1) Ensure that staff completes the IEP.**
MIS paperwork to be entered including IEP will be reviewed by MIS staff to ensure completion and will alert via email responsible staff of any incomplete data, copy of Email alert will be provided to the Center Director for follow-up during Career/Business monthly meetings.
- 2) Register all participants on the EDD's Cal Jobs system as required.**
Intake staff will review with customer their Cal Jobs registration during the enrollment process, and will enter customer in Cal Jobs as necessary.

PAYROLL AND PERSONNEL

- 3) Adjust the amount charged for FY 2007-08 payroll expenditures to reflect actual hours worked and repay Community and Senior Services (CSS) for any overbilled amounts.**
El Proyecto will adjust the amount charged for payroll expenditures to reflect actual hours for the 2007-2008 program year in the May 2008 billing.

- 4) Bill CSS for actual payroll expenditures not estimated amounts by adjusting payroll expenses to reflect actual hours worked in the subsequent month, or at a minimum, on a quarterly basis.**

El Proyecto will adjust payroll expenses to actual hours worked at least on a quarterly basis.

- 5) Ensure that personnel files are kept current and that performance evaluations are performed on an annual basis.**

El Proyecto has conducted and filed performance evaluations for all the five employees. Further we have instructed all managers to complete the performance evaluations within sixty days following the close of the Program Year. The contract compliance administrator will monitor to ensure that evaluations are Completed and filed within the sixty day timeline.

COST ALLOCATION PLAN / MEMORANDUM OF UNDERSTANDING

- 6) Establish MOUs with partnering agencies participating in providing services through the One-Stop Center as required.**

The MOU's on file with LA CSS are on-going, and El Proyecto has submitted the RSA statements that support the financial contribution to the WorkSource Center by personnel assigned to provide center activities/services.

- 7) Ensure that shared expenditures for the One-Stop Center are appropriately allocated according to the County contract.**

Effective immediately El Proyecto will ensure that shared expenditures for the one-stop center are appropriately allocated according to the county contract.

CLOSE-OUT REVIEW

- 8) Repay CSS \$6,500.**

El Proyecto has provided the requested support documentation.

- 9) Ensure that adequate documentation is maintained to support the program expenditures.**

Effective immediately El Proyecto will ensure that adequate documentation is maintained to support the expenditures.

10) Adjust the FY 2006-07 estimated payroll expenditures to actual expenditures and repay CSS for any overbilled amounts.

El Proyecto will adjust the amount charged for payroll expenditures to reflect actual hours for the 2007-2008 program year in the May 2008 billing.

PRIOR YEAR FOLLOW-UP

11) Immediate repay CSS \$6,770.

El Proyecto will provide the back up for the questioned costs upon your subsequent visit.

12) Implement the outstanding recommendations.

Effective immediately El Proyecto will implement the outstanding recommendations.

If you have any questions, please contact me at (818) 610-1632.

Sincerely,

A handwritten signature in black ink, appearing to read 'JP', followed by a horizontal line.

John Pazirandeh, CPA
Chief Financial Officer